10. Funding Analysis

Total project costs associated with the construction of an approximate 6,000-seat ballpark are estimated to approximate $42 million including general provisions for financing, land, off-site infrastructure and other costs. It is important to note that, since the ballpark site has not been determined at this point, general assumptions have been used for site acquisition and preparation, infrastructure improvements and other costs.

The development of minor league ballparks has generally involved varying degrees of public-private funding partnerships. The purpose of this section is to summarize the funding sources that were used to fund similar ballparks throughout the country and those that could be used to fund the City's contribution to the development of a new ballpark in Wilmington.

Overview of Minor League Ballpark Funding

A review of historical funding of minor league ballparks can be useful in assisting project stakeholders in determining the appropriate level of public-private partnership to fund the construction of a new ballpark in Wilmington.

A total of 82 ballpark funding plans spanning all classifications of affiliated and independent minor league baseball were analyzed. The following table summarizes the public-private funding participation of 82 ballpark projects that have been built since 1995.

Minor League Ballpark Funding Summary
Public-Private Funding Participation ($ millions)
MiLB and Independent League Teams

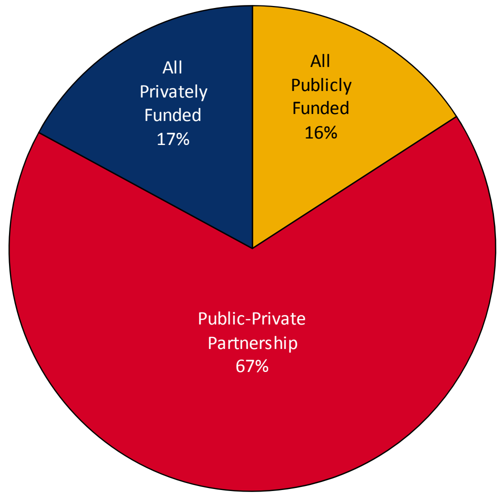
League	Ballparks in Data Set	Average Year Opened	Average Project Cost	Average Amount		Average Percentage	
				Public	Private	Public	Private
Class AAA	19	2002	$40.4	$20.4	$19.9	53%	47%
Class AA	14	2005	$30.3	$21.6	$8.7	66%	34%
Class A	28	2002	$21.2	$12.6	$8.5	61%	39%
Independent	21	2003	$16.2	$10.7	$5.6	56%	44%
Overall	**82**	**2003**	**$25.9**	**$15.5**	**$10.4**	**59%**	**41%**

Overall, the public sector contributed an average of 59 percent of ballpark project costs and the private sector contributed an average of 41 percent of project costs for minor league ballparks built since 1995. The average mix of public-private partnership was relatively consistent among the various classifications of minor league baseball with Class AAA and independent league ballpark projects, on average, involving slightly more private sector participation.

10. Funding

The graphic on the right illustrates the percentage of minor league ballparks built since 1995 that involved only private funding, only public funding and those that involved both public and private funding.

Public-Private Partnership Analysis
Minor League Ballpark Built Since 1995



Note: Based on 82 ballparks spanning AAA, AA, A and independent.

Upwards of 83 percent of previous minor league ballparks opened since 1995 involved public funding with 16 percent of projects entirely publicly funded, 67 percent involving a combination of public and private funds, and 17 percent entirely funded via private funds

The following list summarizes the most often used public and private funding sources used to fund ballpark developments.

<u>Public Sector Funds</u>:

- Community tourism grant
- Economic development grant
- Environmental grant
- Federal grant
- General funds
- Hotel/motel taxes
- Payroll/income taxes
- Property taxes
- Restaurant taxes
- Sale of public assets
- Sales taxes
- State grant
- Tax rebates
- Utility funds

<u>Private Sector Funds</u>:

- Ballpark income
- Casino revenues
- Developer contribution
- Foundation grants
- Land donations
- Naming rights
- Parking revenues
- Rent
- Sale of former ballpark
- Sponsorships
- Suite revenue
- Team equity
- Ticket surcharge
- University/private donations

Class A Ballpark Funding

Focusing on recent Class A ballpark developments, 28 ballpark funding plans were analyzed revealing the average public sector contribution of 61 percent of project costs and the average private sector contribution of 39 percent of project costs.

The following table summarizes the public-private funding percentage for each of the 28 Class A ballparks analyzed.

Class A Ballparks

Public-Private Funding Participation ($ millions)

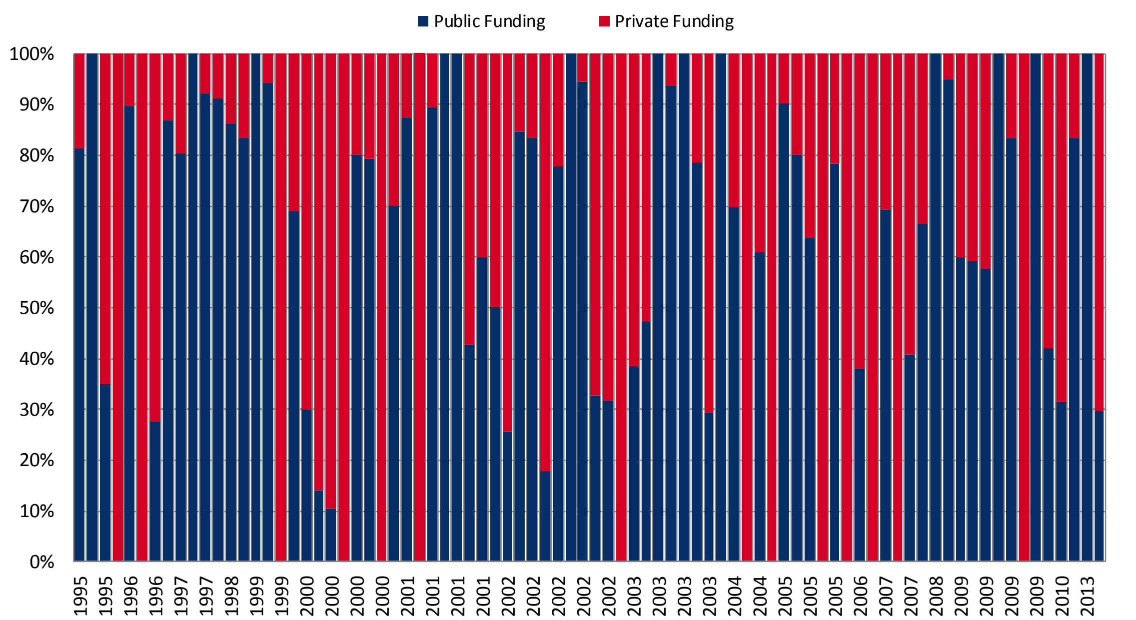
Team	Facility	Year Opened	Project Cost	Amount Public	Amount Private	Percentage Public	Percentage Private
Winston-Salem Dash	BB&T Bank Stadium	2010	$48.7	$15.3	$33.4	31%	69%
Bowling Green Ballpark	Bowling Green Hot Rods	2009	$25.0	$25.0	$0.0	100%	0%
Fort Wayne Tin Caps	Parkview Field	2009	$30.0	$25.0	$5.0	83%	17%
Eugene Emeralds	PK Park	2009	$20.0	$0.0	$20.0	0%	100%
Great Lakes Loons	Dow Diamond	2007	$33.0	$0.0	$33.0	0%	100%
Greenville Drive	Fluor Field	2006	$20.0	$0.0	$20.0	0%	100%
State College Spikes	Medlar Field at Lubrano Park	2006	$31.4	$11.9	$19.5	38%	62%
Greensboro Grasshoppers	NewBridge Bank Park	2005	$22.6	$0.0	$22.6	0%	100%
West Virginia Power	Appalachian Power Park	2005	$23.0	$18.0	$5.0	78%	22%
Quad City River Bandits	John O'Donnell Stadium	2004	$14.1	$8.6	$5.5	61%	39%
Lake County Captains	Classic Park	2003	$25.0	$25.0	$0.0	100%	0%
Rome Braves	State Mutual Stadium	2003	$16.0	$15.0	$1.0	94%	6%
Cedar Rapids Kernels	Veterans Memorial Stadium	2002	$15.0	$12.5	$2.5	83%	17%
Peoria Chiefs	O'Brien Field	2002	$19.5	$3.5	$16.0	18%	82%
Aberdeen IronBirds	Ripken Stadium	2002	$18.0	$14.0	$4.0	78%	22%
Tri-City ValleyCats	Joseph L. Bruno Stadium	2002	$14.0	$14.0	$0.0	100%	0%
Lakewood Blue Claws	FirstEnergy Park	2001	$24.0	$21.0	$3.0	88%	13%
Lexington Legends	Applebee's Park	2001	$17.0	$0.0	$17.0	0%	100%
Staten Island Yankees	RCB Ballpark	2001	$38.0	$34.0	$4.0	89%	11%
Brooklyn Cyclones	MCU Park	2001	$39.0	$39.0	$0.0	100%	0%
Dayton Dragons	Fifth Third Field	2000	$26.6	$21.1	$5.5	79%	21%
Myrtle Beach Pelicans	Coastal Federal Field	1999	$12.0	$10.0	$2.0	83%	17%
Charleston Riverdogs	Riley Park	1997	$19.5	$19.5	$0.0	100%	0%
Modesto A's	John Thurman Field	1997	$5.1	$4.7	$0.4	92%	8%
Lansing Lugnuts	Cooley Law School Stadium	1996	$18.0	$11.6	$6.4	64%	36%
Augusta Greenjackets	Lake Olmstead Stadium	1995	$4.0	$4.0	$0.0	100%	0%
Delmarva Shorebirds	Perdue Stadium	1995	$12.0	$4.2	$7.8	35%	65%
Wisconsin Timber Rattlers	Fox Cities Stadium	1995	$4.0	$0.0	$4.0	0%	100%
Class A Average		**2002**	**$21.2**	**$12.6**	**$8.5**	**61%**	**39%**

As depicted in the table, the average Class A ballpark opened in 2002 at a cost of $21.2 million. The public sector made an average contribution of $12.6 million which comprised an average of 61 percent of project costs, while the private sector made an average contribution of $8.5 million, which comprised an average of 39 percent of project costs.

Ballpark Public-Private Funding Trends

The following table provides a graphical representation of the public-private funding participation over time (1995 to 2013) to determine if there is any discernible trend towards more or less public funding participation in minor league ballpark development.

Funding Trend Analysis
Minor League Ballparks Opened Since 1995



Note: Based on 82 ballparks spanning AAA, AA, A and independent.

Based on a chronological analysis of minor league ballpark funding since 1995, there does not appear to any apparent trend towards more publicly or more privately financed minor league ballparks.

Ultimately, ballpark funding in each market is based on political, economic, legal and financial tools that are unique to each market.

State of North Carolina Sports Facility Funding

In addition to understanding minor league ballpark funding, it is important for project stakeholders in Wilmington to also understand the comparable financing plans for sports facility development within the State of North Carolina. Many of these projects face similar opportunities and constraints. The table on the following page summarizes the public-private funding participation of select sports facility projects in North

Carolina. Detailed summaries of the funding of each of these facilities are provided in the appendix of this report.

State of North Carolina
Minor League Ballpark Funding
Public-Private Funding Participation ($ millions)

Team	Facility	Year Opened	Project Cost	Amount		Percentage	
				Public	Private	Public	Private
Charlotte Knights	New Knights Stadium	2014	$54.0	$16.0	$38.0	30%	70%
Winston-Salem Dash	BB&T Bank Stadium	2010	$48.7	$15.3	$33.4	31%	69%
Greensboro Grasshoppers	NewBridge Bank Park	2005	$22.6	$0.0	$22.6	0%	100%
Durham Bulls	Durham Bulls Athletic Park	1995	$16.1	$13.1	$3.0	81%	19%
Average		**2006**	**$35.4**	**$11.1**	**$24.3**	**36%**	**64%**

State of North Carolina
Other Professional Sports Facility Funding
Public-Private Funding Participation ($ millions)

Team	Facility	Year Opened	Project Cost	Amount		Percentage	
				Public	Private	Public	Private
Charlotte Bobcats	Time Warner Cable Arena	2005	$265.0	$231.8	$33.2	87%	13%
Carolina Panthers	Bank of America Stadium	1996	$242.9	$55.9	$187.0	23%	77%
Carolina Hurricanes	RBC Center	1999	$174.4	$118.0	$56.4	68%	32%
Average		**2000**	**$227.4**	**$135.2**	**$92.2**	**59%**	**41%**

There are four minor league ballpark projects that have been funded (or are currently being planned) in recent years in North Carolina including new ballparks in Charlotte, Durham, Greensboro and Winston-Salem. Overall, the public sector contributed (or is proposed to contribute) an average of $11.1 million, or 36 percent of projects costs, and the private sector contributed an average of $24.3 million, or 64 percent of project costs.

A review of three major professional sports facility projects in North Carolina (Bank of America Stadium, Time Warner Cable Arena and RBC Center) reveals the average public sector participation accounted for an average of $135.2 million, or 59 percent, of project costs, and the private sector accounted for an average of $92.2 million, or 41 percent of project costs.

Potential City of Wilmington Financing Mechanisms

The typical mechanisms through which the City of Wilmington issues debt include general obligations bonds, special obligation bonds and installment financing. Each is discussed in further detail below.

General Obligation Bonds

Under NC Statutes, Section 159-48(b)(3), the City may issue general obligation bonds to finance the acquisition, construction and equipping of a ballpark. Such bonds would require a voter referendum, the authorization for which is an approximately four (4) month process from the first City Council action to the actual referendum. Once the referendum has been completed and the results certified, bonds may be issued relatively promptly thereafter.

Special Obligation Bonds

The City may issue "special obligation bonds" under NC Statutes, Chapter 159I to finance a ballpark if the ballpark is located in a municipal service district. The City may pledge for the payment of a special obligation bonds any available source or sources of revenues of the City, as long as the pledge of these sources for payments or the covenant to generate revenues does not constitute a pledge of the City's taxing power. The most frequent pledge source is the sales taxes generated within the municipality. The City may issue such special obligation bonds without a voter referendum. The process for issuance would likely take about 3 to 4 months.

Installment Financing

The City may enter into an installment financing contract under NC Statutes, Section 160A-20 to finance a ballpark. The City's payment obligation under an installment financing contract is a general fund obligation in each fiscal year, subject to appropriation of funds. The City may enter into an installment financing contract without a voter referendum. The process for issuance would likely take about 3 to 4 months.

Other

Other funding mechanisms available under North Carolina law such as project development bonds (otherwise known as tax increment financing) and special assessment bonds are not permitted, by their authorizing statutes, to be used to finance a ballpark project.

Potential City Funding Sources

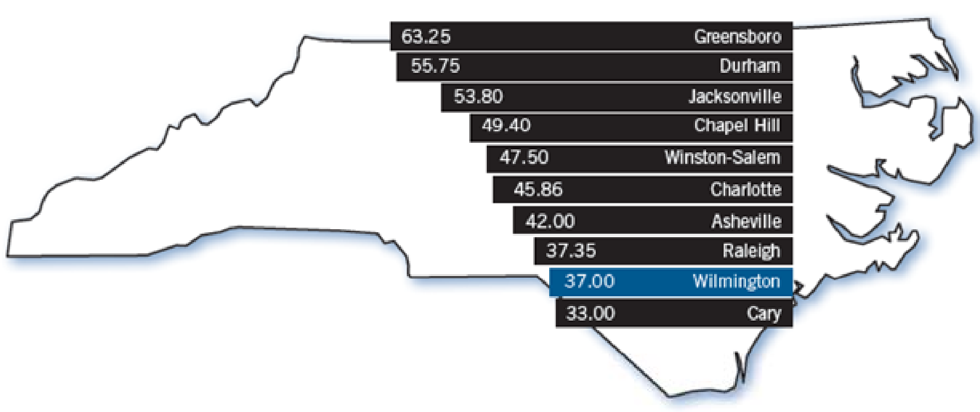
Based on a review of the City's finances and discussion with City officials, it appears there are only a few public funding options that could be used to fund a portion of new ballpark development costs. The primary funding sources that the City could contribute towards ballpark development include property tax revenues, sales tax revenues, hotel occupancy tax revenues and potential restaurant tax revenue.

Property Taxes

The City of Wilmington currently assesses property taxes at a rate of $0.37 per $100 in assessed value. In 2011, the City generated $52.3 million in property tax revenues.

The City of Wilmington has one of the lowest property tax rates of the 18 largest cities in North Carolina. The following table summarizes the current property tax rate of the largest cities in North Carolina. It should be noted that City Council is currently contemplating a 3¢ increase in property taxes to fund the 2012-13 budget.

Comparison of Property Tax Rates
Major North Carolina Cities



Based on current valuation levels, City officials estimate that a 1¢ increase in the City of Wilmington's property tax would generate an additional $1.2 million to $1.3 million in annual revenue. For a home valued at $185,000 (median-priced home in New Hanover County), a 1¢ property tax increase would cost the average homeowner $1.54 per month.

Based on 20-year bonds and a taxable interest rate of 4.0 percent, it is estimated that each 1¢ increase in the property tax could fund $17.2 million in ballpark project costs.

While the City Council can approve an increase in the property tax without a referendum, a group that opposes using public funds for the ballpark is attempting to gather enough signatures to force a referendum in November 2012.

Room Occupancy Taxes

New Hanover County and the City of Wilmington each levy a three (3) percent room occupancy tax. Session Law 2006-167 modified earlier legislation and created the Wilmington Convention Center District. That legislation also amended the method of distribution of the tax beginning July 1, 2008. Effective July 1, 2008, taxes levied by New Hanover County derived from accommodations in the district and 100 percent of the tax levied by the City of Wilmington must be used for construction, financing, operation, promotion, and maintenance of the convention center.

For the year ending June 30, 2011, the City recognized $2,274,826 in tax revenue as a result of the tax levy with a total of $15,646,025 collected since the levy was enacted.

Most major cities in North Carolina have a three (percent) room occupancy tax (plus a three (3) percent county occupancy tax), with the exception of Charlotte which has an eight (8) percent tax. It is possible that the City of Wilmington could raise its occupancy tax from three (3) percent to six (6) percent, which could generate approximately $2.3 million in annual incremental tax revenues. In order to increase the room occupancy tax, it would require approval of the General Assembly.

Based on 20-year bonds and a taxable interest rate of 4.0 percent, a three (3) percent increase in the City occupancy tax could fund up to $31 million in ballpark development costs.

It should be noted that a three (3) percent increase in the occupancy tax would result in a nine (9) percent occupancy tax in the City of Wilmington, which would make it the highest in the state. It is likely that that an occupancy tax increase would be met with resistance by the tourism industry, which is the largest industry in Wilmington and the surrounding Cape Fear region. In order to increase the local occupancy tax, the City would need to secure legislative approval.

Prepared Food and Beverage Tax

Mecklenburg County (Charlotte area) assesses a one percent tax on the sales derived from prepared food and beverages sold at retail for consumption on or off the premises are assessed by any retailer within the County that is subject to sales tax imposed by the State of North Carolina. Currently, there is no prepared food and beverage tax assessed in the City of Wilmington. As with the occupancy tax, legislative action would be required to enable Wilmington to levy a local prepared food and beverage tax.

It is difficult to accurately determine the amount of prepared food and beverages sold in the City of Wilmington, but based on discussions with officials from the North Carolina League of Municipalities, it is estimated that Wilmington's prepared food and beverage tax basis could approximate $390 million per year. If a one percent prepared food and beverage tax were implemented in the City of Wilmington, it is estimated that approximately $3.9 million in annual tax revenues could be generated.

Based on 20-year bonds and a taxable interest rate of 4.0 percent, a one (1) percent prepared food and beverage tax could generate $3.9 million per year and fund up to $53 million in ballpark development costs. A one-half percent tax could generate $2.0 million per year and fund $26.5 million in ballpark development costs.

Local Option Sales Tax (LOST)

The State of North Carolina allows counties (but not cities) to levy five local option sales taxes (LOST) upon the approval of public referendum. The five LOST include:

- the Article 39 one-cent tax;
- the Article 40 half-cent tax;

- the Article 42 half-cent tax; and,
- the Article 46 quarter-cent tax.

The 100 counties in North Carolina now levy the full 2.25 percent allowed. Combined with the state's 4.75 percent sales tax, the total sales tax rate is 7.0 percent statewide (except in Mecklenburg County which levies an additional 0.5 percent LOST for mass transit only).

The LOST proceeds are collected by the state, piggybacking on state sales tax, and then allocated to the 100 counties after subtracting administrative costs (slightly less than one-half of one percent). Net proceeds of the Article 39 tax are allocated to the county in which the sales taxes were collected. For the Article 40 and 42 taxes, however, net proceeds are placed in a statewide pool and allocated among the counties on a per capita basis. The proceeds of the Article 46 tax are retained by the counties.

Once the proceeds are allocated to the counties, the amounts are further divided among government units in a county, based on either per capita or ad valorem (property) basis, to be determined by the county commissioners. New Hanover County allocates LOST revenue to the City of Wilmington based on an ad valorem basis, which means that as New Hanover County increases their property tax rate, the County will retain a greater percentage of sales tax revenue. After the distribution, the City of Wilmington is allowed to use its share for any public purpose that it is authorized to undertake. In 2011, the City of Wilmington received $14.4 million in LOST revenue.

The City of Wilmington does not have the authority to change the current sales tax distribution or how much money it receives. The City of Wilmington has included an initiative to amend LOST revenue distribution in its legislative agenda. The North Carolina General Assembly is the only other entity, beyond the county, that can change the distribution formula.

Based on the City's lack of control regarding the amount of LOST revenue it receives, the use of sales taxes to fund ballpark development is not likely.

Summary

Based on a review of the funding of 82 minor league ballparks opened since 1995, the average public sector participation was approximately 59 percent of total project costs. Should City officials decide to seek a public funding contribution similar to industry averages, the following hypothetical funding plan was developed assuming total ballpark development costs of $42 million.

Hypothetical Funding Scenario
To Approximate Average Public/Private Funding Participation
In Minor League Baseball

NOTE:
This is a hypothetic funding scenario. Actual funding will depend on negotiations and availability of funds.

PRIVATE:		
Rent - $400,000 per year	$5,400,000	13%
Property Tax Payments	$3,800,000	9%
Other Private Sources	$7,400,000	18%
TOTAL PRIVATE	$16,600,000	40%
PUBLIC:		
City Contribution	$17,200,000	41%
Other Governmental Aid	$8,200,000	20%
TOTAL PUBLIC	$25,400,000	60%
TOTAL	$42,000,000	100%

Based on an assumed project cost of $42 million, the hypothetical funding plan assumes the public sector would pay $25.4 million, or 60 percent, of project costs, consisting of a City contribution and other governmental aid. This example assumes the private sector would contribute $16.6 million in project costs through rent payments of $400,000 per year by the Braves/Mandalay, annual property tax payments made by the Braves/Mandalay and an undefined contribution of $7.4 million by other private sources. These sources could include revenue realized from adjacent real estate development associated with ballpark development, free or discounted land contribution, contribution by UNC-Wilmington (to become a tenant in the ballpark), corporate fundraising, private philanthropy, foundation grants, other sources or through value engineering the ballpark building program to reduce the overall project costs.

In addition, it is important to consider the establishment of a capital reserve fund to set aside funds for future capital repairs and improvements that will be required over the lifetime of the facility. As discussed previously, industry standards call for an approximate 0.5 percent of hard and soft project costs to be set aside each year for these future expenditures.

Based on an estimated hard and soft cost of approximately $35 million, this would result in an additional $175,000 per year in funds required to be set aside in the capital reserve fund. For purposes of this analysis, it is assumed the City and team would split this cost. The City could fund its contribution from up to a $1.00 surcharge per ticket sold for ballpark events.